



Committed to the future of rural communities.

# Info NOW

July 2006

## *A Publication of USDA Rural Development's Guaranteed Single Family Housing Program*

### Loan Origination/Underwriting

Reduced paperwork burden! Rural Development has streamlined loan processing for lenders. Form RD 1980-21, **Request for Single Family Housing Loan Guarantee**, has been revised to include the applicant's acknowledgements and certification to do business with the U. S. Government. This eliminates the requirement to have the applicant sign Form AD 1048, Certification Regarding Debarment, Suspension, Ineligibility, and Voluntary Exclusion-Lower Tier Covered Transactions. This improvement is effective immediately! Please make sure you are using the June 2006 revision of this form which can be found at: [http://www.rurdev.usda.gov/me/SFH/approved\\_lenders.htm](http://www.rurdev.usda.gov/me/SFH/approved_lenders.htm)

### Thank You

Thank you to all of our lenders and partners. This year, to date, we have guaranteed over \$32 million and assisted 265 families in achieving the American Dream! Together we have increased the dollars in this program more than 43 percent over what was obligated at this time last year.

### Funding Update

We anticipate that adequate funding will be available through the end of the fiscal year (September 30, 2006).

Form RD 1980-86, **Request for Reservation of Funds**, needs to be completed and submitted to Rural Development at the earliest time possible after the receipt of your application. This will assure that funds are reserved for your loan request. An online "fillable" form can be found at: <http://www.rurdev.usda.gov/regs/forms/1980-86.pdf>. If you are using a printed copy of this form, please make sure the revision date is December 2005.

### Property Inspections

Please refer to AN 4145 (1980-D) dated February 25, 2006, (see below) for an update on property inspection requirements and the use of the new appraisal forms when completed by Federal Housing Administration (FHA) roster appraisers in accordance with Housing and Urban Development (HUD) handbooks 4150.2 and 4905.1. These appraisals will meet the inspection requirements of RD Instruction 1980-D, section 1980-341 (b)(1)(i). In addition, the lender's inspector must indicate if the property meets Rural Development thermal standards. Appropriate inspection/testing must also be obtained for individual water supply systems as well as individual septic systems. This AN provides an optional Existing Dwelling Inspection Report that lenders may use to document the inspection results. Lenders can obtain this form on our web site at: [http://www.rurdev.usda.gov/me/SFH/approved\\_lenders.htm](http://www.rurdev.usda.gov/me/SFH/approved_lenders.htm)

### Forms and Checklists

Lender information, forms, and checklists for processing Rural Development guarantee requests can be found on our web page at: [http://www.rurdev.usda.gov/me/SFH/approved\\_lenders.htm](http://www.rurdev.usda.gov/me/SFH/approved_lenders.htm)

Procedures and Administrative Notices can be found at: [http://www.rurdev.usda.gov/regs/an\\_list.html](http://www.rurdev.usda.gov/regs/an_list.html)

### Eligibility Website

Please check out the changes to our Eligibility Web site at: <http://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do> This site gives you access to our income limits, basic program information, interactive maps to determine if your property is located in an eligible rural area, and a calculator you can use to determine applicant eligibility for Rural Development's housing programs.

## Procedures

The following Administrative Notices (AN) have recently been issued to provide further guidance on our regulations. The full text of each AN can be found on the our web page at: [http://www.rurdev.usda.gov/regs/an\\_list.html](http://www.rurdev.usda.gov/regs/an_list.html)

- **AN 4145 (1980-D) dated February 25, 2006,** Existing Dwelling Inspection Requirements; Acceptable Origination Appraisal Forms. This AN clarifies the forms of dwelling inspections acceptable for loans guaranteed under the Rural Development Single Family Housing Guaranteed Loan Program; and restates that Rural Development accepts appraisals prepared by Federal Housing Administration (FHA) roster appraisers in accordance with Housing and Urban Development (HUD) handbooks 4150.2 and 4905.1 as meeting the inspection requirements of RD Instruction 1980-D, Section 1980.341(b)(1)(i). <http://www.rurdev.usda.gov/regs/regs/pdf/1980d.pdf>
- **AN 4149 (1980-D) dated March 10, 2006,** Eligibility of Non-U.S. Citizens for Single Family Housing Guaranteed Loan Program. This AN reissues guidance concerning acceptable documentation U. S. Non-citizens must supply in order to be considered for a loan note guarantee.
- **AN 4162 (1980-D) dated March 29, 2006,** Approved Lender Underwriting Guidelines. This AN is to reiterate Agency methodology for evaluating payment shock and to provide underwriting guidance to lenders.
- **AN 4163 (1980-D) dated March 29, 2006,** Debt Ratio Waivers. The purpose of this AN is to elaborate on the use of debt ratio waivers when approving loan guarantees under the Rural Development Single Family Housing Guaranteed Loan Program. It also provides information on potential compensating factors, including credit scores to be used by the Agency when evaluating a lender's request for a debt ratio waiver. Debt ratio waivers must be requested by the lender in writing and approved by the Agency in writing.
- **AN 4170 (1980-D) dated April 13, 2006,** Applicant Credit History Verification. The purpose of this AN is to elaborate upon what forms of credit history and current debt verifications are acceptable for loans guaranteed under the Single Family Housing Guaranteed Loan Program. The intended outcome of this AN is to establish that Rural Development will accept similar verification methodologies currently acceptable to the residential mortgage industry, secondary markets, and other Federal agencies.

- **AN 4171 (1980-D) dated April 13, 2006,** Utilizing Credit Scores for Underwriting Single Family Housing Guaranteed Loans. This AN outlines two uses for Fair Isaacs & Company (FICO) credit scores when underwriting Single Family Housing Guaranteed Loan Program loans. The purpose of this AN is to make use of credit scoring technologies to improve the credit quality of SFHGLP loans, and to streamline SFHGLP credit history documentation requirements. At this time, the new VantageScore is not accepted for evaluating applicant credit history for the Rural Development loan guarantee.
- **AN 4174 (1980-D) dated April 20, 2006,** Treatment of Applicant Collection Accounts. This AN is intended to clarify RD Instruction 1980-D, section 1980.345(d) concerning collection accounts with outstanding balances. Specifically, this AN addresses whether it is required that the collection accounts with outstanding balances must be paid off prior to or at loan closing under Single Family Housing Guaranteed Loan Program. If the lender determines that there are mitigating circumstances under RD Instruction 1980-D, section 1980.345(d)(3), the participating lender's underwriter is responsible for deciding whether an applicant must pay off any collection accounts prior to or at settlement.
- **AN 4178 (1980-D) dated April 28, 2006,** Determining Repayment Income for Self-Employed Applicants. The purpose of this AN is to clarify how to properly analyze a self-employed applicant's loan application for repayment ability. This AN addresses the following topics:
  - What documentation is generally required for self-employed applicants?
  - What method should the lender's underwriter use when analyzing the applicant's tax returns?
  - How should the underwriter treat business-related debts that are paid with business funds, rather than personal income?
- **AN 4179 (1980-D) dated April 28, 2006,** Acceptable Alternative Documentation to Verify the Applicant's Employment Income. The purpose of this AN is to elaborate upon the acceptable forms of employment income verifications for loans guaranteed under the Single Family Housing Guaranteed Loan Program. Rural Development will accept verification methodologies similar to those currently acceptable to the residential mortgage industry, secondary markets, and other Federal Agencies.

If you should have any questions or would like Rural Development to visit you for training or program updates, please contact your local representative.(see following page for a list of offices).

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